UNITED NATIONS POPULATION FUND

FINANCIAL REPORT
and
AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 1989
and
REPORT OF THE BOARD OF AUDITORS

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTY-FIFTH SESSION

SUPPLEMENT No. 5G (A/45/5/Add.7)

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LETTERS OF TRANSMITTAL

27 April 1990

Sir,

Pursuant to UNFPA financial rule 116.2 (b), I have the honour to submit the annual financial statements of the United Nations Population Fund as at 31 December 1989, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(Signed) Nafis SADIK
Executive Director of the
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

25 June 1990

Sir,

I have the honour to transmit to you the financial statements of the United Nations Population Fund for the financial period ended 31 December 1989, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) O. T. PREMPEH
Auditor-General of Ghana
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

I. FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 1989

1. The Executive Director of the United Nations Population Fund has the honour to submit herewith the annual financial report of the United Nations Population Fund (UNFPA) for the year ended 31 December 1989. The accounts consist of four statements supported by nine schedules accompanied by notes that are an integral part of the financial statements, and also cover the trust funds authorized by the Governing Council for population activities.

2. The submission is made in conformity with regulation 16.1 of the UNFPA Financial Regulations approved by the Governing Council of the United Nations Development Programme (UNDP) at its thirtieth session.

Executing agency accounts

3. In accordance with UNFPA financial regulation 17.1 (b), the UNFPA financial statements incorporate the data obtained from the 1989 annual accounts of the executing agencies with regard to the status of funds allocated to them for the execution of UNFPA projects in 1989.

4. As of the date of the preparation of the present financial statements, the status of information received from the executing agencies was as follows:

(a) Audited statements were provided by the following executing agencies:

United Nations Educational, Scientific and Cultural Organization (UNESCO)

World Health Organization (WHO)

(b) Statements as submitted for audit were provided by the following executing agencies:

United Nations Children's Fund (UNICEF)

United Nations Development Programme/Office of Project Services (UNDP/OPS).

(c) In respect of the following executing agencies, the UNFPA financial statements incorporate the information contained in the agencies' financial statements for the biennium 1988-1989, as submitted for audit:

United Nations

United Nations Environment Programme (UNEP)

Economic Commission for Africa (ECA)

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

International Labour Organisation (ILO)

Food and Agriculture Organization of the United Nations (FAO)

United Nations Industrial Development Organization (UNIDO)

5. Should any changes be reported in the audited accounts of any of the executing agencies, they will be reported to the General Assembly and to the Governing Council at subsequent sessions. The Executive Director will submit to a subsequent session of the Governing Council copies of the audited statements and audit reports, if any, of the executing agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA financial regulation 17.1 (b).

Financial status of the Fund

6. As shown in statement III, as at 1 January 1989, the balance of unexpended general resources of the Fund was $31,846,411. During 1989, UNFPA received income of $185,229,599 and had expenditures of $203,568,229, which resulted in an excess of expenditure over income of $18,338,630, as shown in statement I.

7. As at 31 December 1989, the balance of unexpended general resources of the Fund was $8,507,781 (i.e., the opening balance as at 1 January 1989 of $31,846,411, minus the excess of expenditure over income for 1989 of $18,338,630, less the transfer to the operational reserve of $5,000,000). The 1989 unspent allocations as at 31 December 1989 amounted to $36,807,279 (schedule 8).

1989 programme expenditure and 1989 expenditure against the 1988-1989 biennial budget appropriations

8. At its thirty-sixth session held in New York, the Governing Council gave the Executive Director a revised programme ceiling for 1989 of $191,600,000 (decision 89/46, sect. B, para.3). As shown in schedule 8, total year-end allocations for 1989 were $194,243,698, of which $39,235,456 was the carry-over of unspent allocations from the previous year. In addition, as shown in schedule 4, net appropriations for the 1988-1989 biennial budget of UNFPA totalled $59,033,400, as approved by the Governing Council at its thirty-fifth session (decision 88/36, para. 20). The 1988-1989 expenditure consisted of $26,655,682 for the first year of the biennium and $32,092,087 for the second year, for a total of $58,747,769, after credits of $4,257,929 earned for programme support services were taken into account ($2,045,637 for 1988 and $2,212,192 for 1989).

9. Expenditure for 1989 totalled $203,568,229, compared to 1988 expenditure of $167,212,569. The breakdown of 1989 expenditure is shown in statement I. It comprised $157,436,419 for projects, $14,039,723 paid to executing agencies, non-governmental organizations and UNFPA itself for agency support costs, and $32,092,087 for administrative and programme support costs in 1989 under the biennial administrative and programme support services budget, which included $11,633,466 of expenditure relating to field programme support.

10. In 1989, the ratio of project expenditures to project allocations was 81.1 per cent, compared to 76.8 per cent in 1988. United Nations executing agencies, including regional commissions, executed $88,302,507, or 56.1 per cent of the total programme expenditures. Governments executed $22,375,821, or 14.2 per cent of the total programme expenditure. 1989 expenditures for government-executed projects did not include $8,964,538 of outstanding advances to Governments. UNFPA itself executed $26,970,731, or 17.1 per cent of the total project expenditure. UNFPA-executed projects included in 1989 procurement assistance by the UNFPA headquarters Procurement Unit in respect of government projects amounting to $19,756,961. Non-governmental organizations, intergovernmental institutions and other agencies executed $19,787,360, or 12.6 per cent, of the total project expenditure.

Status of operational reserve

11. During 1989, UNFPA maintained a fully funded operational reserve (statement II). The operational reserve was established by the Governing Council in January 1973 at $20 million to guarantee the financial viability and integrity of the UNFPA programme. By decision 81/7 III, paragraph 5, adopted by the Governing Council at its twenty-eighth session, UNFPA was requested to increase the reserve annually to reach a level equivalent to 25 per cent of contributions by 1990. At its thirty-sixth session, the Council, however, decided that, "with effect from 1989, the level of the operational reserve shall be set at $45 million and that the level of the operational reserve should be reviewed at the thirty-eighth session of the Governing Council" (decision 89/49, para. 16). All other provisions of decision 81/7 III relating to the operational reserve were to remain in effect. Accordingly, an amount of $5 million was transferred during the year from general resources to the operational reserve in order to bring its level to $45 million.

Liquidity position

12. As at 31 December 1989, UNFPA had bank balances in convertible currencies and time-deposit investments amounting to $105,704,895, which included $45 million of time-deposit investments of the operational reserve and $10,438,352 belonging to UNFPA trust funds. The investments reported in statement II and in schedule 5 were recorded using the United Nations operational rate of exchange, which came into effect on 1 December 1989. At the United Nations operational rate of exchange in effect from 1 January 1990, which more closely reflected the market rate of exchange as at 31 December 1989, the value of these investments would amount to $575,245 more than that shown in the accounts.

Special population programmes

13. As authorized by the Governing Council at its seventeenth session (decision 74/16, para. (e)), UNFPA received cash remittances totalling $17,286,036 million in 1989 from the Government of Japan, the Netherlands and Norway to be transferred by UNFPA to designated special population programmes. The four recipients of these funds were the International Planned Parenthood Federation ($16,854,209, from Japan and the Netherlands). The Population Council ($210,012 from the Netherlands and Norway), the International Union for the Scientific Study of Population ($161,935

from the Netherlands and Norway) and the International Council on the Management of Population Programmes ($59.880 from Norway). These transfers of funds are not included in the UNFPA financial statements.

Trust funds

14. Schedule 7 shows the statement of account as at 31 December 1989 of the trust funds established by the Executive Director for multilaterally and bilaterally funded programmes and other special population activities. The unexpended balance of the trust funds as at 1 January 1989 was $9,403,384. Contributions received from Governments and other sources during 1989 were $6,566,750 and interest income amounted to $693,426. The total amount available for programming in 1989 was $16,663,560. Total programme expenditure, including support costs, was $6,225,208, leaving at year-end an unexpended balance of $10,438,352 as the opening balance for 1990.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by General Assembly resolution 74 (I) of 7 December 1946 and article XVII of the Financial Regulations of the United Nations Population Fund (UNFPA), the Board of Auditors has audited the accounts of UNFPA for the year ended 31 December 1989.

2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (IAEA). The examination was conducted at UNFPA headquarters in New York and at field offices in Jamaica, Malaysia and Pakistan.

3. During the year under review, the Board of Auditors continued its normal practice of reporting the results of specific audits and issuing management letters containing detailed observations and recommendations to the Administration. This practice has helped to maintain a continuous dialogue with the Administration. Pursuant to regulation 12.9, the Board engaged the services of a certified public accounting firm for specific assignments.

4. The following sections deal with matters arising from our 1989 audits which, in the opinion of the Board, should be brought to the attention of the General Assembly. We have discussed all our observations with the Administration, whose responses are incorporated where appropriate.

5. The present report is divided into two parts covering the audit of financial statements and management issues, respectively.

Summary of recommendations

6. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Further efforts are needed and, in particular, adequate procedures should be designed and implemented to obtain audited statements of UNFPA expenditures incurred by executing agencies in time for the issuance of the audit opinion on the financial statements of UNFPA (see paras. 41-56);

(b) Financial control regarding balances of advances to Governments should be improved (see para. 64);

(c) Comprehensive guidelines should be issued in order to clarify the delineation between programme, programme support and administrative expenditure (see paras. 128-131);

(d) Guidelines should be issued in order to ensure a consistent handling of the approval and execution of all kinds of official travel (see paras. 126-127).

Summary of findings

Financial statements

7. Cash and investment balances as shown in statement II would be understated by $575,245 if converted at the official year-end rate of exchange. Correspondingly, the actual foreign exchange loss incurred in 1989 would have to be increased by $138,045, thus resulting in a total amount of $3.5 million (see paras. 35-37).

8. With two exceptions, United Nations agencies, Governments and non-governmental organizations did not report interest income on operating funds and outstanding advances provided to them (see paras. 38-40).

9. Less than 30 per cent of the programme expenditure incurred by United Nations organizations as executing agencies were adequately supported by audited documentation (see paras. 43-46).

10. At the close of the audit, only 33 per cent of the 1989 financial reports required from Governments acting as executing agencies of UNFPA programmes had been provided, of which only one third had been audited (see paras. 47-49).

11. At the close of the audit, only 27 per cent of the 1989 financial reports requested from intergovernmental institutions and other agencies, including non-governmental organizations acting as executing agencies of UNFPA programmes, had been provided, and only 4.9 per cent had been audited (see paras. 50-54).

12. The recognition of expenditures executed by non-governmental organizations does not comply with current financial regulations and rules (see para. 51).

13. The lack of audited status of funds statements reported by all categories of executing agencies, including Governments and non-governmental organizations, results in the Board of Auditors being unable to reach an opinion on the fair representation of 64 per cent of 1989 total programme expenditure and, consequently, programme support costs to the financial statements (see paras. 55-56 and 57-58).

14. The balances of operating funds provided by UNFPA to Governments shown in statement II are converted by using the historic rate at which the advances were made, and not the United Nations operational rate in effect as of 31 December 1989. This is not in accordance with footnote 1 (c) to the financial statements (see para. 60).

15. As a result of the absence of current documentation as to the level of expenditure incurred by Governments against advances made, the Board of Auditors is unable to assess the reasonableness of the balance of operating funds provided by UNFPA to Governments as shown in statement II (see para. 61).

16. Write-off action of Government pledges that are outstanding for more than five years is intended (see paras. 66-67).

17. Parts of accounts payable are not established in accordance with generally accepted accounting principles (see paras. 68-71).

18. The accounting policy governing unliquidated obligations, as described in note 1 (b) to the financial statements is not in accordance with generally accepted accounting principles (see paras. 72-73).

19. Contingent liabilities resulting from termination benefits and repatriation grants to be paid in future years are not disclosed (see paras. 74-75).

20. In spite of the full funding principle governing the management of trust funds, three trust funds incurred expenditures in excess of funds available. In two cases, sufficient funds were received in 1990 (see paras. 76-77).

21. While the total interest income received by UNFPA entities is correct, the allocation from the general fund to the trust funds is understated. Net income of the trust funds should be increased by $195,597 at the expense of interest income of the general fund. Consequently, the balance due to trust funds is understated by the same amount. The corrective transfer of interest income will be made in 1990 (see para. 78).

Management issues

22. The liquidity position of UNFPA has been solid during the last few years. As of December 1989, liquidity of the general fund was significantly below the level of December 1988. Owing to the overall situation, longer-term investment seems advisable (see paras. 79-89).

23. The administrative and programme support budget expenditure increased substantially in 1989, in particular, on programme II (see paras. 90-94).

24. The ratio of operational costs to programme expenditure became more adverse in 1989 (see paras. 95-96).

25. Following former recommendations of the Board of Auditors, UNFPA has centralized its investments with the UNDP Treasury (see para. 97).

26. The calculation of reimbursements for services rendered by UNDP lacks an adequate procedure (see paras. 98-99).

27. Involvement of the UNDP Administration in the personnel matters of UNFPA causes constraints and cumbersome procedures. The appointment principles need to be simplified (see paras. 100-104).

28. With regard to project PAK/187/P04, the assignment of consultants did not comply with the applicable regulations (see paras. 105-107).

29. The use of funds for the International Forum on Population that was held at Amsterdam seems questionable with regard to the results. The consideration of meetings of this sort as being a project and accounting for them accordingly does not seem appropriate. The objectives of the global meeting of UNFPA staff subsequently held at Noordwijk might have been attainable by means requiring less funds (see paras. 108-123).

30. Budget estimates for travel on official business by headquarters staff charged to budget for administrative and programme support services (APSS) increased considerably (see paras. 124-125).

31. Guidelines for travel authorization do not exist for most kinds of travel (s e paras. 126-127).

32. Guidelines for the appropriate delineation of programme, programme support and administrative expenditure are still lacking (see paras. 128-131).

33. The activities of the Geneva Liaison Office could be reduced and at least partly carried out by headquarters (see paras. 132-135).

34. Trust fund expenditure has been charged to a project account (see paras. 136-140).

Part I: Financial statements

Exchange gains and losses

35. In accordance with generally accepted accounting principles, assets and liabilities held in foreign currencies other than United States dollars have to be converted using the year-end rate of exchange as officially noted in the foreign exchange markets. However, the investments denominated in foreign currencies were converted using the United Nations operational rate of exchange in effect for the month of December 1989, which somewhat differs from officially noted rates of exchange at year-end. As is disclosed in note 7 to the financial statements, using the United Nations operational rate of exchange in effect from 1 January of the following year, which more closely reflects the officially noted rate of exchange as at 31 December, the value of these investments at the end of 1989 would amount to $575,245 more than shown in the accounts, whereas at the end of 1988 it would be $713,290 less than that shown in the accounts. Based on these figures, net adjustments on revaluation of currencies and gains or losses on exchange other than contributions (schedule 2), amounting to $3,178,230 in 1989, would have to be increased by $138,045 accordingly.

36. According to rule 104.3 of the Financial Regulations and Rules, foreign exchange adjustments arising from collection of contributions pledged in a different currency are recorded in a separate account. In statement I, this amount, which represents a loss of $171,455, is deducted from the contributions converted using the foreign exchange rate in effect at the time of payment (see note 1 (c) to the financial statements). For contributions not yet received, the foreign exchange rate applies that is in effect at the time of the pledge.

37. The foreign exchange gains and losses for 1988 and 1989 can be summarized as follows:

	1988	1989
	(United States dollars)	
Net adjustments on revaluation of currencies and gains/losses on exchange other than contributions (schedule 2)	6 343 331	(3 178 230)
Exchange adjustments on collection of contributions (statement I)	(2 310 481)	(171 455)
Adjustments resulting from the overstatement or understatement of cash balances and investments at year-end	(5 280 742)	(138 045)
Total	(1 247 892)	(3 487 730)

Miscellaneous income (schedule 2)

38. According to rule 104.6 of the Financial Regulations and Rules, all other income of the agencies attributable to UNFPA activities have to be reverted to the Fund at year-end. Reviewing the miscellaneous income accounts, we noted that only one United Nations agency paid a total of $25,018 to the Fund, which was recorded as miscellaneous income from accounts of executing agencies, and one non-governmental organization paid interest of $31,506, which is included under "Other income - net" of schedule 2. Since substantial balances of advances to the agencies (United Nations executing agencies and Governments) were maintained throughout the year, it appears that this rule 104.6 is not being strictly enforced.

39. Management commented that, in the case of United Nations executing agencies, cash remittances were effected on a monthly basis in accordance with a rigorous analysis of prior year expenditures, levels of programme allocations authorized for the current year and patterns of budget re-phasals and forecasts of agencies with regard to cash requirements. At year-end, on a net basis, the operating funds provided by UNFPA to executing agencies amounted to only $69,672. With regard to Governments, operating fund balances provided by UNFPA amounted to $8,964,538 in 1989, compared to $10,062,916 in 1988, while total expenditures of government-executed projects were $22,375,821 in 1989, compared to $14,094,936 in 1988. Therefore, the ratio of outstanding balances in operating funds to total expenditures changes significantly from 71.4 per cent in 1988 to only 40.0 per cent in 1989.

40. The Board of Auditors recommended, and Management agreed, that it would continue to monitor closely balances of operating funds with Governments, to ensure that funds are being advanced by field offices only to cover the foreseen expenditure, and that any interest income attributable to UNFPA funds is properly reverted to UNFPA as required by rule 104.6.

Programme expenditure

41. Programme expenditure (excluding programme support costs paid to executing agencies) made up 77.3 per cent of total UNFPA expenditure in 1989. It can be broken down as follows (see schedule 3):

Executing agencies	(United States dollars)	Percentage of 1989 total programme expenditure
United Nations agencies (excluding UNFPA)	88 302 507	56.1
UNFPA	26 970 731	17.1
Governments	22 375 821	14.2
Intergovernmental institutions and other agencies, including non-governmental organizations	19 787 360	12.6
Total	157 436 419	100.0

42. With the exceptions reported subsequently, the only expenditure supported by adequate documentation at headquarters is incurred by UNFPA acting as its own executing agency. This being a reason for the qualification of the Board of Auditors's opinion in previous years, the Board of Auditors is once again unable to comment on the fair representation of the other categories of programme expenditure mentioned.

Programme expenditure executed by United Nations organizations as executing agencies

43. In order to achieve adequate audit evidence regarding programme expenditure reported by UNFPA, the Board of Auditors had to rely on the audit results of other external auditors. With one exception (WHO) audited statements that were supposed to be submitted by United Nations organizations acting as executing agencies for the financial period ending 31 December 1989, were not received before the closing of the UNFPA accounts and the completion of the audit.

44. As far as the year ended 31 December 1988 in concerned, again, with the exception of the organization mentioned for 1989, there are still no audited statements of United Nations executing agencies available and, consequently, the qualification of the audit opinion expressed on the 1988 statements 1/ has to be maintained.

45. In 1989, with respect to United Nations organizations acting as executing agencies, programme expenditure comprised 56.1 per cent of the entire programme

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1/ See Official Records of the General Assembly, Forty-fourth Session, Supplement No. 5G (A/45/5/Add.7), sect. II.

expenditure and 43.3 per cent of total expenditure, as reported in statement I. Since an audited status of funds was presented only for WHO, less than 30 per cent of the expenditure incurred by United Nations executing agencies are adequately supported by audited documentation. Accordingly, audit coverage is not sufficient to authorize the expression of an unqualified opinion on the 1989 financial statements.

46. In the review of the unaudited statements of United Nations organizations acting as executing agencies in one case, namely, that of FAO, the balance of unspent advances in comparison with the expenditure incurred proved to be very significant over the years. As of 31 December 1988, the balance exceeded $3.63 million, representing nearly 90 per cent of the agency's total expenditure during 1989. Management replied that it will endeavor to monitor the agency's cash requirements for 1990 in order to avoid a similar situation.

Programme expenditure executed by Governments

47. In 1989, 447 government-executed projects were in existence. For 346 of them, expenditure was incurred totalling $22,375,821. Up to the close of our audit, statements were made available for 39 projects reporting expenditure of $7,314,337. For 15 of those projects, representing expenditure of $2,398,393, or 10.7 per cent of total expenditure for government-executed projects, the statements provided have been audited. Consequently, the actual amount of expenditure reported as executed by Governments, which comes to 14.2 per cent of the total programme expenditure, cannot be ascertained. In addition, owing to the flawed recording of this expenditure, reconciliation for the previous years with the status of funds is meaningless.

48. As a result of long delays in the clearance of unspent advances and their release to the income and expenditure statement, likely government-executed programme expenditure is understated. This matter is addressed at greater length in paragraphs 59 to 65 below, dealing with operating funds provided by UNFPA to Governments.

49. When government-executed programme expenditure was carried out, partly by UNFPA (e.g. procurement) and partly by the recipient Government, the expenditure incurred directly by UNFPA was not reported in the status of funds submitted by the Governments. This made it impossible to reconcile the status of funds and the UNFPA ledgers, since the latter do not allow differentiation as to whether expenditures were executed by the Government or by UNFPA. As a result, the actual amount of expenditure reported as executed by Governments and disclosed in statement I cannot be ascertained. Such expenditure, amounting to $22.38 million, represents 14.2 per cent of programme expenditure and 11 per cent of total expenditure. This problem was already mentioned in the previous audit report. 1/ The Administration has confirmed that it will take corrective action.

Programme expenditure executed by intergovernmental institutions and other agencies, including non-governmental organizations

50. In 1989, expenditure by intergovernmental institutions and other agencies, including non-governmental organizations, amounted to $19,787,360. At the close of our audit, expenditure of $916,583 had been audited, which is 4.6 per cent of all expenditure executed by intergovernmental institutions and other agencies, including non-governmental organizations.

51. Since UNFPA directly monitors expenditure executed by these organizations, the amount disclosed in statement I could be reconciled with the general ledger. On the basis of the supporting documentation available at headquarters, however, the recording of expenditure has a fundamental flaw, since the concept of expenditure includes not only disbursements and unliquidated obligations, but also outstanding advances, and thus is not in conformity with the financial regulations and rules. As already pointed out by the Board in its previous audit reports, 2/ such outstanding advances should be cleared at year-end or reported as receivables. Although UNFPA changed the procedure for government-executed projects in 1988, this was not done for the programme expenditure incurred by intergovernmental institutions and other agencies.

52. In fact, most outstanding advances are not cleared and, owing to the flaw in the recording of this expenditure, reconciliation with the status of funds for previous years seems to be meaningless.

53. As a result, the actual amount of expenditure reported as executed by intergovernmental institutions and other agencies and disclosed in statement I cannot be ascertained. Such expenditure, with an amount of $19.79 million, represents 12.6 per cent of programme expenditure, or 9.7 per cent of total expenditure.

54. The Administration is preparing new guidelines on accounting, auditing and reporting requirements regarding intergovernmental institutions and other agencies, including the establishment of an operating fund account for non-governmental organizations. It commented that, because of the specific nature of these organizations, appropriate accounting policies and procedures must be applied. Leaving undecided the question of whether the nature of these organizations calls for specific accounting policies to be applied, it should be indisputable that existing policies have to be followed as long as new guidelines are not available.

Summary

55. The situation of 1989 programme expenditure with respect to audit is summarized in the following table:

2/ Ibid., and ibid., Forty-third Session, Supplement No. 5G (A/44/5/Add.7), sect. II.

Executing agencies	Programme expenditure		Programme expenditure audited	
	(US dollars)	(Percentage)	(US dollars)	(Percentage)
United Nations agencies	88 302 507	56.1	26 234 993	29.7
UNFPA	26 970 731	17.1	26 970 731	100.0
Governments	22 375 821	14.2	2 398 393	10.7
Intergovernmental institutions and other agencies, including non-governmental organizations	19 787 360	12.6	916 583	4.6
Total	157 436 419	100.0	56 520 700	35.9

56. As a result, the Board of Auditors cannot comment on the fairness of 64.1 per cent of the programme expenditure, or 49.6 per cent of total expenditure, reported in statement I.

Agency support costs

57. Agency support costs result as a percentage of project expenditures executed by the relevant executing agency. With regard to United Nations organizations acting as executing agencies, the standard rate of 13 per cent applies; lower rates may be provided for in project documents when the specific circumstances of the project so warrant. With regard to non-governmental organizations, the ratio of support costs is determined on a case-by-case basis.

58. As a consequence of the lack of audited status of funds statements for 70 per cent of programme expenditure executed by United Nations agencies and for nearly 90 per cent of project expenditure executed by Governments and less than 5 per cent audited expenditure by non-governmental organizations, programme support costs with an amount of $14 million shown in statement I cannot be ascertained.

Operating funds provided by UNFPA to Governments

59. Advances amounting to $13.25 million were made for about 200 projects during 1989. The opening balance as of 1 January 1989 came to $10.06 million. A total of $14.35 million was released to the income and expenditure statement, so that the closing balance of unspent advances totalled $8.96 million, 67.6 per cent of 1989 payments for advances and related to 237 projects.

60. In statement II, the advances to Governments are stated at historic rates, that is, the United Nations operational rate in effect at payment date. This procedure is not in accordance with note 1 (c) to the financial statements, since assets are to be stated at the exchange rate in effect at balance sheet date. We feel, however, that this procedure is adequate under the circumstances, because

these advances are not going to be repaid by the Governments, but rather will eventually be recorded as expenditure upon receipt of the respective expense reports ("forms B-1 and 2"), using the same historic rates. This should, however, be reflected in note 1 (c).

61. Only for a few of the 200 projects for which advances had been made were details of expenditure covering 12 months of 1989 submitted. As a result of the absence of current documentation as to the level of expenditure incurred by Governments against advances made, the Board of Auditors is unable to assess the reasonableness of the balance of operating funds provided by UNFPA to Governments as shown in statement II. We were informed that it was necessary to submit details of 1989 expenditure on form B prior to 28 February 1990 in order for that expenditure to be recorded in the 1989 accounts, and that the Administration intended to record those details reported after the deadline as 1990 expenditure.

62. In previous audit reports, the Board of Auditors had recommended that expenditure reported late should be shown in the following year's financial statements as adjustments to prior years. Although the Administration agreed to reflect expenditures that were processed after the closing and that are material adjustments to prior years in the financial statements of the following period, we noted that this did not occur in the 1989 statements.

63. We have examined some 65 per cent of the value of outstanding advances as of 31 December 1989. The following was noted:

(a) Expenditure of at least $1.38 million incurred in 1989 by 10 Governments should be recorded in the 1990 accounting period as adjustments to prior years, because the relevant "form B" was received after 28 February 1990;

(b) At the end of 1989, about 30 projects showed significantly high outstanding advances of $3.65 million, as compared to the expenditure reported by the participating Governments. For 13 of those projects, no expenditure has been reported for at least two years, whereas the balance of unspent advances of 11 projects represents several times the last two years' expenditures.

64. In order to minimize outstanding advances in the future, we suggest the consideration of the following:

(a) Advances may be withheld from the project if satisfactory documentation of the expenditure incurred and status of funds reports are not received by the required dates;

(b) Interest should be paid by Governments on that portion of the funds advanced which has not yet been used as programme expenditure.

65. The Administration replied that the issues of suspending advances and the requirement of interest on unspent advances had already been brought to the attention of field offices. Experience shows, however, that the previously taken measures are not sufficient to improve the situation. Consequently, the problem might not be solved by referring it to field offices only. The Board of Auditors holds the opinion that headquarters itself should take appropriate action.

Pledges receivable from Governments for current and previous years

66. As shown in note 3 to the financial statements, a total of $398,441 of contributions were pledges dating back to 1988 and prior years, but not collected. The Administration agreed to the recommendation that any amounts receivable that were older than five years should be written off. According to this procedure, as of December 1989, an amount of $94,742 should have been written off.

67. In addition, it should be disclosed in note 1 (c) to the financial statements that the contributions pledged but not received are converted at the foreign exchange rate in effect at the date of the pledge and not at the year-end rate.

Accounts payable

68. The balance sheet item "accounts payable" comprises the following:

	(United States dollars)
Unliquidated obligations headquarters administrative budget (schedule 4)	3 051 988
Unprocessed purchase orders	976 088
Unprocessed travel obligations	278 580
Deferred income (schedule 1)	56 325
Other	75
	4 363 056

69. Unprocessed purchase orders are automatically reclassified from unliquidated obligations to accounts payable by the accounting system, if the unliquidated obligations are not disbursed within 12 to a maximum of 24 months. At balance sheet date, these remaining items are reviewed as to whether the commitment is still valid.

70. The fact that the unliquidated obligations were not disbursed within a given time-frame does not alter the nature of such items. According to generally accepted accounting principles, delivery of purchased goods or services establishes a payable. Those items should remain in the category "unliquidated obligations" but be reviewed for validity of the commitment on a periodic basis.

71. Unprocessed travel obligations shown under accounts payable date back to 1988 and 1987. They were also automatically reclassified by the accounting system. Obligations related to years prior to 1987 of $192,891 were released into miscellaneous income in 1989. We reviewed the above-mentioned items on a test basis for proper approval and found no exception.

Unliquidated obligations of executing agencies

72. UNFPA Financial Regulations and Rules (rule 114.1) and UNFPA guidelines to United Nations executing agencies specify the accounting policy applicable to the

recording of unliquidated obligations. The accounting policy is identical to UNDP. All expenditures are accounted for on an accrual basis. However, the point of recognition of the expenditure varies by types of expenditure. For procurement and subcontracts in the area of travel on official business, expenditures in the form of unliquidated obligations are recorded at the time a purchase order is placed. The appropriate treatment under generally accepted accounting principles would be the recognition of the expenditure after taking delivery of the goods or services. This concept is applied to other types of expenditures, such as group training, fellowships and in cases of the appointment of experts and other project personnel. At year-end, the unliquidated obligations of executing agencies amounted to $42,510,615. We reviewed the unliquidated obligations of the headquarters programme budget on a test basis and ensured that they were properly approved.

73. We were informed that the unliquidated obligations are automatically credited to the project accounts by the accounting system if they are not disbursed within 24 months at the latest. If the project is closed by then, those amounts are treated as income. We feel that, once an amount has been obligated and approved for a special purchase of equipment, it should be disbursed for that purpose on a timely basis. If the obligation no longer exists and finally will not be disbursed, it should be credited to the project so that the project cost for that year is stated correctly. However, the savings compared to the original obligation should be made available to the general resources of the Fund and should be subject to the new allocation process. This can be achieved by reducing the allocation of the respective projects for that year by the same amount.

Contingent liabilities

74. In 1988, the Panel of External Auditors of the United Nations, the specialized agencies and the IAEA recommended disclosure by note or reserve of contingent liabilities resulting from the termination benefits and repatriation grants UNFPA will have to pay to some of its staff members in future years.

75. We concur with management that, as of December 1989, termination benefits and repatriation grants are not material with respect to the financial situation and the activities of the Fund. However, these issues need to be reviewed at least every year in order to make that determination.

Trust fund accounts

Fully funded basis

76. Financial regulation 5.2 provides that trust funds shall be accepted only on a fully funded basis. However, schedule 7 to the financial statements shows a debit balance of $235,088 at the end of 1989 ($390,039 as of 31 December 1988) resulting from UNFPA expenditure on projects financed by three trust funds, pending receipt of the contributions pledged by the organizations concerned.

77. Although improvements were made in decreasing the debit balances, we still must reiterate that no expenditure should be incurred before the funds have been made available entirely. The Administration commented that UNFPA will pursue this issue to arrive at a satisfactory conclusion.

Due to UNFPA trust funds

78. Although the total interest income earned by all UNFPA entities was correctly reflected in the accounting records, we noted that the interest income to trust funds was mistakenly understated by $195,597, because there was no distribution of interest earned for these funds. Accordingly, the item "due to trust funds" is understated by the same amount. The corrective transfer of interest income to the respective trust funds will be made in 1990.

Part II: Management issues

Liquidity position

79. According to statement IV, which reconciles the liquidity position at the beginning of the year with the cash and investments at the end of the year, "cash and investments" decreased by $15,896,947 in 1989, mainly as a result of the excess of expenditure over income of $18,339,000 in the UNFPA general fund. As of 31 December 1989, the overall liquidity, including the trust funds, reached roughly the same level as at the end of 1987. The increase of 1988 has reversed. Compared to previous years, the liquidity developed as follows:

	31 December 1987	31 December 1988	31 December 1989
		(United States dollars)	
Operational reserve	37 000 000	40 000 000	45 000 000
General fund balance	24 062 609	31 897 766	8 507 781
General fund subtotal	61 062 609	71 897 766	53 507 781
Trust fund balances	3 707 583	9 403 384	10 438 352
Total	64 770 192	81 301 150	63 946 133

80. As of December 1989, the liquidity available to the general fund was significantly below the level of December 1988. This development was mitigated by a significant increase of the trust funds' liquidity.

81. Based on statement II, the liquidity balance as of 31 December 1989 can be analysed in further detail as follows:

		(United States dollars)	
I.	Funds available		
	Cash and investments	60 704 895	
	Operational reserve	45 000 000	105 704 895
	Non-convertible currencies		539 652
	Total funds available		106 244 547
II.	Obligations		
	Total obligations	69 968 091	
	Deduct: Due to trust funds	(10 438 352)	59 529 738
	Thereof already funded		
	Executing agencies	5 572 002	
	Governments	8 964 538	(14 536 540)
			44 993 199
	Funds available net of obligations		60 711 696
	Thereof due to trust funds		(10 438 352)
	Liquidity available to general fund		50 273 344
III.	Short-term receivable and other assets		2 694 785
	Total liquidity available to general fund:		53 507 781

82. In addition to the liquidity of the general fund, there is also the liquidity of the trust funds available for investment.

83. Most of the projects are long term in nature. Therefore, the fund has already allocated $238,686,870 (schedule 8) in addition to the unspent 1989 allocations of $36,807,279 to projects for future years. The allocations pertain to the future years as follows:

Years	(United States dollars)
1990	175 719 407
1991	56 725 615
1992 and after	6 241 848
	238 686 870

84. These allocations are in compliance with the workplan 1990 to 1994 prepared by the fund management according to the Regulations and Rules in effect as of December 1989. This forecast is based on the assumption of an annual income growth rate of 9.5 per cent.

Operational reserve

85. The operational reserve amounted to $45 million as of 31 December 1989 (statement II). The operational reserve was established by the Governing Council to guarantee the financial viability of the UNFPA programmes and should amount to 25 per cent of the estimated contributions for that year. According to plan, this target should have been achieved by the mid-1990s.

	1987	1988	1989
	(United States dollars)		
Operational reserve	37 000 000	40 000 000	45 000 000
Contributions from Governments	147 928 018	165 060 555	180 570 654
Ratio (percentage)	25.0	24.2	24.9

86. In fact, the annual reserve amounted to 25 per cent of the contributions for the last three years. At its thirty-sixth session, the Governing Council decided that, effective 1989, the operational reserve shall be limited to $45 million (decision 89/49, sect IV, para. 16). The level of the operational reserve should be reviewed at the thirty-eighth session (1991) of the Governing Council.

Investment management

87. Referring to previous audit reports, and based on our review of the investments as of 31 December 1989, we noted that all investments were placed for rather short terms. As of the balance sheet date, 55 per cent of the total investment, including the general fund and the trust funds, were invested in demand deposits, 45 per cent were invested in time deposits with an original maturity not exceeding six months.

88. Based on past experience, we would encourage an investment exceeding six months, particularly in financial instruments, which would allow for some flexibility, if needed. When in urgent need of cash, negotiable certificates of deposit and short-term bonds could be sold on secondary markets. In order to minimize the risk, however, we recommend selecting only debtors with a prime credit rating.

89. We do not consider it necessary to segregate the investments of the general fund into "operational reserve" and "general fund balance". However, it is mandatory to keep the investment of the individual trust funds separate.

Operational costs

90. Administration and programme support services (APSS) budget expenditure consists of expenditure for executive direction and management (programme I), administrative and information support services (programme II), programme planning, appraisal and monitoring (programme III) and field programme support (programme IV).

91. Changes in expenditure are summarized in the table below:

	1987	1988	Changes to prior year	1989	Changes to prior year
	(United States dollars)		(Percentage)	(United States dollars)	(Percentage)
Programme I	2 320 248	3 359 629	44.8	3 734 083	11.1
Programme II	6 442 981	7 402 034	14.9	10 085 508	36.3
Programme III	8 452 647	8 218 476	(2.8)	8 851 322	7.7
Total headquarters	17 215 876	18 980 139	10.2	22 670 913	19.4
Programme IV	8 664 015	9 721 180	12.2	11 633 466	19.7
Grand total	25 879 891	28 701 319	10.9	34 304 379	19.5

92. By an overall increase of 19.5 per cent, the increase of programme II by 36.3 per cent is significant. This mainly results from the remodelling of office space at headquarters.

93. In addition, the recording of the Geneva Liaison Office local expenditure was transferred from programme IV to programme II, because the Geneva Liaison Office is part of the External Relations Division within programme II.

94. Changes in total operational costs were as follows:

	1987	1988	Changes to prior year	1989	Changes to prior year
	(United States dollars)		(Percentage)	(United States dollars)	(Percentage)
Gross APSS expenditure	25 879 891	28 701 319	10.9	34 304 379	19.5
Less: Credit and income	1 477 288	2 045 637	38.5	2 212 292	8.1
Net APSS expenditure	24 402 603	26 665 682	9.2	32 092 087	20.4
Programme support costs	9 086 538	10 724 389	18.0	14 039 723	30.9
Total operational costs	33 489 141	37 390 071	11.6	46 131 810	23.4

Cost-effectiveness

95. Being an indicator for cost-effectiveness, the ratio of total operational costs to total programme expenditure was taken into consideration. The table below shows the development of this ratio during the past three years.

	1987	1988	Changes to prior year	1989	Changes to prior year
	(United States dollars)		(Percentage)	(United States dollars)	(Percentage)
Operational costs total	33 489 141	37 380 071	11.6	46 131 810	23.4
Expenditure programme	106 987 561	129 832 498	21.4	157 436 419	21.3
Ratio (percentage)	31.3	28.8		29.3	

96. The ratio of operational costs to programme expenditure increased in 1989, because of costs for remodelling at headquarters. However, for future years a decrease of this ratio should take place, since programme expenditure has increased over the last two years by more than 20 per cent each.

UNFPA/UNDP relationship

Financial services

97. Following a recommendation of previous audit reports, UNFPA and UNDP revised their agreement on the mutual provision of financial services. Accordingly, effective 1 October 1989, only UNDP is responsible for the investment of UNFPA funds.

Reimbursement for services rendered by UNDP

98. Some deficiencies were noted in the procedure followed by UNFPA and UNDP for the reimbursement for services rendered by UNDP. Although some of the data delivered by UNDP for reimbursement are derived from detailed work-load statistics prepared by the respective service units of UNDP, in many cases, only estimated costs are available for the services rendered. On the part of UNFPA, until now there is no detailed knowledge of the computations carried out by UNDP and, therefore, UNFPA is not in the position to verify the figures submitted.

99. It is recommended that an agreement be reached with UNDP and that the detailed modalities of reimbursement procedures to be followed be laid down, including the determination of basic data (e.g. work-load statistics, specific cost indices) and their computation.

Administration of personnel

100. With regard to personnel matters, UNFPA co-operates with UNDP, that is, UNFPA selects and recruits staff members, while UNDP concludes and signs the contracts with the recruited applicants. UNDP uses three different types of appointment letters: first, for a fixed-term appointment, generally lasting four years; then for a probationary appointment, lasting for six to twelve months; after this, a decision is taken to convert the probationary appointment to permanent appointment.

101. It seems questionable whether there is a need for this cumbersome procedure involving organizational units and keeping manpower of UNFPA, as well as UNDP, busy in these matters. Furthermore, no reason can be seen as to why an additional probationary appointment is necessary for staff members who have already been employed for four years on the basis of a fixed-term appointment and whose performance should be sufficiently assessable.

102. For a more economic and efficient use of resources, we suggested the streamlining of the hiring process and the transfer of the contract procedure to UNFPA. Furthermore, it should be considered whether the number of different consecutive appointments could be reduced.

103. Management agreed in general with the suggestion that the procedure be changed, but added that it is bound in personnel matters to UNDP practice and is therefore not in a position to formulate its own guidelines on the subject. Management anticipates that some of the cumbersome procedures that presently exist between the two organizations can be changed in the future.

104. UNDP management has already indicated considering a modification as far as the contract procedure is concerned. On the part of UNFPA, further steps should be taken to ensure adequate changes with respect to the subject-matter in due time.

Project expenditure

Project management

105. In reviewing project management, it was revealed that, in connection with a project comprising consultancies for curriculum development and teaching methodology at the beginning of 1989, an expert was designated as an independent consultant to carry out the assignments, although he demanded a per diem fee exceeding the amount allowed by the pertinent provisions of UNFPA. In this connection, an agreement was concluded with a company that was set up and managed by the consultant, giving rise to additional charges of up to 20 per cent. Originally, the involvement of the company was not planned for the carrying out of the project and the consultant had first applied for the consultancy as an individual.

106. Management replied that no extra charge had been agreed upon to acquire the company's service. It further pointed out that the Government concerned demanded this consultant, citing the individual as being familiar with the project and having substantial experience with relevant matters. Had this request not been granted, the consultancy would not have taken place.

107. Notwithstanding the fact that the project required the experience of a consultant such as the one selected, the elusion of pertinent provisions, as suspected in the case under consideration, seems highly questionable. Management therefore should take steps to prevent similar occurrences. Management agreed.

International Forum on Population in the 21st Century

108. Organized by UNFPA, the International Forum on Population in the 21st Century took place at Amsterdam, the Netherlands, from 6 to 9 November 1989. Queried on the purpose of this meeting, Administration explained that the primary purpose of the Forum was to bring together ministers, senior government officials and population experts to discuss important population issues of the future. The discussions were supposed to lead to a delineation of major issues and needs for implementing population policies and the adoption of specific programme strategies.

109. According to management, with reference to these objectives, the meeting turned out to be an unqualified success, as could be seen in the declaration adopted during the meeting ("Amsterdam Declaration"). Management pointed out that immediate results were, for example, extensive coverage in the media around the world, field offices opening discussions with Governments about the implication of the declaration adopted and UNFPA itself establishing a task force to follow up the meeting.

110. The Administration considered the meeting a project activity, as defined in article II of the UNFPA Financial Regulations and Rules, according to which "project" shall mean a separately identified undertaking relating to population matters assisted by UNFPA. According to the project document, the meeting was supposed to incur expenses of approximately $921,000, towards which a contribution of $125,000 was pledged by the Government of the Netherlands. We were informed by management after the close of our audit that the overall expenditure incurred by UNFPA for the meeting was $785,119.

111. We are not in the position to comment on whether meetings such as the one in question have to be considered necessary with respect to the mandate of UNFPA. Furthermore, we do not doubt that the meeting might have been useful to discuss population matters and, perhaps, somehow to enhance awareness of this issue. It should be pointed out, however, that the stated objectives of the meeting are quite vague and, later on, will hardly prove to result in measurable effects on population matters, thus making impossible any evaluation as to the achievement of the given objectives, or an assessment of the benefits in relation to the expenses incurred. Therefore, it appears difficult to judge whether the outcome of the Forum really justifies the considerable funds spent for it, or whether at least a part of those funds were not used economically.

112. Management pointed out in early June that, during the debate on UNFPA at the June 1990 session of the Governing Council, delegates who spoke called the meeting a remarkable success. Hence, management does not share the slight reservation of the Board on the usefulness of the meeting.

113. The definition of projects as given in article II of the UNFPA Financial Regulations and Rules covers an extremely wide range of activities. The development of future strategies and population policies being the proclaimed objective of the Amsterdam meeting, however, leads us to question whether it can be understood as an undertaking that directly relates to population matters, rather than as a kind of general supporting measure for further action.

114. In the view of the Board, a project should be distinguishable by clearly defined objectives, measures taken, resources allocated and results achieved, enabling management to assess its effectiveness and efficiency by comparing the results achieved with the objectives and the resources allocated. The Amsterdam meeting does not meet these conditions. Management strongly disagreed, pointing to the above-mentioned reaction of delegates of the Governing Council.

115. The Board is of the opinion that it should be strongly reflected as to whether activities such as the meeting under discussion can be considered projects and accounted for accordingly. We suggest that the definition of a project be laid down precisely to allow for a clear distinction between project and administrative expenditure and to avoid any ambiguity.

116. The expenditure incurred with respect to the meeting held at Amsterdam includes the settlement of travel expenses for participating government officials from 65 developing countries. The amount spent for this purpose, as advised by management after the close of our audit, was $215,000. Management's comment on this expenditure was that the above-mentioned officials were supposed to be in the best position to translate the recommendation of the meeting into further action.

117. Although promoting the awareness of population activities is one of the overall tasks of UNFPA, it nevertheless seems questionable whether this justifies the considerable amounts of money spent for the reimbursement of travel expenses to government officials.

118. Furthermore, the audit revealed a lack of consistency with respect to the treatment of travel expenses. Most of the travel expenses for the meeting were posted to project expenditure. Travel costs for a staff member of the Geneva Liaison Office who participated in the preparation of the Amsterdam meeting were charged to the APSS budget, although the meeting was considered to be a project. Given this supposition, it would have been consistent to charge these to the project account accordingly. Management commented that the travel costs in question were erroneously charged to APSS budget.

119. It has to be emphasized that costs incurred for one purpose should not be charged to different budgets.

Global meeting of UNFPA staff at Noordwijk

120. Subsequent to the International Forum at Amsterdam, a global meeting of headquarters and field staff was held at Noordwijk, Netherlands, from 10 to 13 November 1989, in which a total of 49 staff members participated from headquarters. According to the project document, this meeting was supposed to cost $446,160. Management explained the purpose of the meeting as being to facilitate the finalization of a set of major guidelines for programme development, implementation and monitoring based on the joint review by field office and headquarters staff members, a new personnel appraisal system for all UNFPA staff and the summary presentation of a report titled "Building a more effective UNFPA". Management estimated that it would be more cost-effective to hold the staff meeting right after the meeting at Amsterdam because the country directors were already invited to the latter.

121. The Board is of the opinion that the purposes of the meeting, for example, finalizing guidelines that had already been elaborated in advance and to instruct field staff on this topic, hardly seems sufficient to justify the incurring of expenditure to the extent given. Furthermore, the reference to the preceding meeting in Amsterdam, will scarcely prove evidence of an economical use of funds. The point in question is whether the above-mentioned objectives could not have been reached by measures of minor scope and, in particular, requiring less funds.

122. In this respect, as an example, we wish to mention the presentation of the report "Building a more effective UNFPA" at Noordwijk by employees of the consultant firm, that had prepared the report. The exact amount spent by UNFPA for this purpose was not submitted by management until the close of the audit. Although the intention to inform field office staff about the essentials of the report is acknowledged, the Board cannot see why this had to be carried out by representatives of the consultant firm. The considerable amount of money afforded for the travel of those representatives could have been saved, for example, by assigning headquarters staff participating in the meeting, who were already instructed on this topic and who, being in charge of putting the report into practice, would supposedly have been able to present it as well.

123. UNFPA management reiterated its view that the global meeting had been crucial in translating the new programme directions of the Fund into action, in connection with the Amsterdam Forum and the implementation of its recommendations.

Travel

Increase of headquarters travel costs

124. For the biennium 1988-1989, costs for travel on official business by headquarters charged to the APSS budget were estimated at $949,300. The respective estimates for the biennium 1990-1991 amounted to $1,350,000, that is, in the course of two bienniums, an increase of 42 per cent has taken place.

125. Management commented that actual expenditure for the biennium 1988-1989 amounted to $1,111,871, so that the estimates for the biennium 1990-1991 of $1,350,000 thus constituted an increase of only 21.4 per cent. It furthermore added that, after 1988-1989 budget estimates had been drafted, travel increased because of the expanded programme activities of UNFPA and the filling of staff vacancies at headquarters. Management did not provide any details as to why more programme activities necessarily require such a large-scale increase in travel activities from headquarters. We therefore feel doubtful about the adequacy of the volume of budget estimates in connection with this subject.

Guidelines on official UNFPA travel

126. Guidelines providing basic regulations for the approval of travel only exist for UNFPA representation at meetings. Other kinds of travel, for example, that related to projects, are not dealt with in these guidelines.

127. The Board of Auditors has suggested the establishment of guidelines for all kinds of travel in order to ensure consistency in handling same. Management also considers it necessary to develop general guidelines on travel and intends to follow the suggestion of the Board.

Delineation between programme and administrative expenditure

128. In its previous report, 1/ the Board of Auditors pointed out that guidelines are necessary to delineate programme, programme support and administrative expenditure. The only guidelines available on that matter are still in draft form and are limited in scope (see document DP/1986/42). They refer to permanent staff costs only, excluding travel.

129. Management agreed that work on these guidelines has not yet advanced very much. It believes that the existing draft guidelines serve a useful function, however.

130. The draft guidelines omit important items and therefore can hardly be seen as sufficient. Our focus on travel expenditure revealed that, especially in this area, there is an urgent need for clarification. For example, UNFPA was not in the position to provide the Board with the total amount of expenditure for travel because of the variety of definitions of kinds of travel and the difficulties encountered in differentiating between them. Consequently, it only delivered the total of travel expenditure charged to the APSS budget. A further example, relating to travel expenditure incurred on the occasion of the International Forum on Population held at Amsterdam, is mentioned under the respective heading (see para. 118).

131. The Board of Auditors is of the opinion that a survey on all travel costs, as well as other categories of costs, is important for budgetary planning and decision-making. Since the currently used definitions of travel costs relating to APSS or project budget cause problems, more precise definitions should be sought. Generally, the Board of Auditors strongly reiterates the importance of a clear delineation between programme, programme support, and administrative expenditure.

Geneva Liaison Office

132. We reviewed the responsibility of UNFPA Geneva Liaison Office. According to management, this Office has to promote population policies and activities with the permanent missions, the United Nations Office at Geneva and with several other organizations. A major task of the Liaison Office is the participation in preparing and launching the annual State of World Population Report in Arabic, Dutch, French, German, Portuguese and Spanish. One of the two staff members is also designated as non-resident Country Director for the seven European countries in which there is no UNDP resident representative and has to provide field support to UNFPA-funded projects in this region.

133. In the opinion of the Board, at least part of these activities could be carried out by headquarters in New York. For instance, no reasons could be found as to why European projects were looked after both by the headquarters Division for Arab States and Europe and by the Geneva Office.

134. Management replied that these functions assigned to the Geneva Office would help to reduce travel costs, since in 1989, the Office was involved in representing UNFPA at more than 50 meetings. Concerning field support, management commented that the headquarters Division of Arab States and Europe has an overall responsibility only for project appraisal, approval and monitoring projects in Europe while the Geneva Liaison Office is involved in regular monitoring,

administrative backstopping and a follow-up of the visits of headquarters staff. Management concluded that the carrying out of these functions by the Geneva Office could save many trips from headquarters. Management did not provide any details in support of its opinion, for example, how many trips and related expenditure are saved hereby.

135. The Board does not see any necessity for European projects to be monitored both by headquarters and the Geneva Office with overall allocations of about $2.1 million in 1989 being of a very modest scope in any case. Management said that it will review the functions of the Geneva Office.

Trust funds

United Nations Population Award

136. According to No. 7 of the UNFPA guidelines for multi-bilateral financing, expenditure for trust fund projects should at no time exceed the budget to which they relate. Article 3 of the regulations governing the United Nations Population Award also determines that all costs relating to the award shall be financed from the investment income of the trust fund.

137. In 1989, the interest income of the fund amounted to $53,669. The Administration charged $8,144 to the project INT/88/P49, which covered translation and printing costs of the brochure on the Population Award in English, French and Spanish, and $7,345 for printing costs of invitation cards relating to the Population Award Ceremony. The Administration planned to transfer the amount of $1,345 to the Population Award account. Management commented on the entry of $8,144 to the effect that the project deals with publications, and that the expenditure under discussion meets this definition.

138. However, expenditure for the brochure of the Population Award is related to the trust fund and has to be charged to its interest income only. Charging the amount to a project that may cover similar kinds of expenditure in not in compliance with the above cited regulations.

139. Although the entry is incorrect and the procedure is of principal importance, we regard the amount as immaterial in respect of the overall trust fund expenditure of about $6.2 million and therefore resist requesting that the year-end statements be corrected in this case.

140. However, the Board wishes to raise the question of whether the organizational structure is appropriate in the case of the Population Award, since it does not deal with projects.

Implementation of rule 114.1 of the United Nations Financial Regulations and Rules

141. The General Assembly requested the Board of Auditors to review the adequacy and efficacy of the Administration's instructions issued in implementation of rule 114.1, which refers to personal responsibility and financial liability of United Nations personnel for their action.

142. In disciplinary matters, UNFPA applies chapter XI of UNDP Personnel Manual which, inter alia, deals with reprimand, suspension, disciplinary measures, ombudsman panel and appeals. UNFPA has made available to all field offices and offices at headquarters the UNFPA Financial Regulations and Rules and the United Nations Staff Rules. Further instructions have not been issued.

143. These measures seem scarce. Experience shows that mere availability of regulations cannot ensure appropriate information and awareness. It was therefore recommended that circulars be issued to all headquarters and field office staff. The circulars should include the text of relevant regulations and rules, information on the rights and duties of staff and consequences in case of violation. The Administration has confirmed that corrective action will be taken.

Cases of fraud or presumptive fraud

144. The Board was informed of a case of possibly fraudulent activities at a field office committed by a staff member of that office. Scrutiny by the Division for Audit and Management Review of UNDP of said office in December 1989 revealed numerous unauthorized financial operations carried out in recent years. Those operations refer to interest income of about $1.3 million, earned on investment of unspent advances. It was also noted that available documentation did not allow precise determination of the amount earned. The staff member suspected was suspended from duty in December 1989. The case is still being investigated.

Comments on matters dealt with in the 1989 report 1/

145. Changes introduced in 1989 in compliance with the recommendations contained in the report of the Board of Auditors have been commented on under the appropriate heading in the present report. The Administration complied with such recommendations, except as mentioned in paragraphs 49, 62 and 128.

Acknowledgement

146. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Executive Director of the United Nations Population Fund, her officers, and members of their staff.

(Signed) O. T. PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of the Federal
Republic of Germany

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to IV, properly identified, and relevant schedules of the United Nations Population Fund for the financial period ended December 31 1989. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances, except as explained in paragraphs 41 to 58 of our report.

In our opinion, except for programme expenditure and programme support costs expenditure, which were not supported by adequate audit evidence, the financial statements fairly present the financial position of the organization as at the end of the period and the results of its operations for the period then ended.

The financial statements have been prepared in accordance with the stated accounting policies, which have been applied on a basis consistent with that of the preceding financial period. Transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) O. T. PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of the Federal
Republic of Germany

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

27 April 1990

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements, numbered I to IV, and supporting schedules, numbered 1 to 9.

(Signed) Bruce HILLIS
Officer in Charge
Division of Finance
United Nations Development Programme

V. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1989

STATEMENT I

UNITED NATIONS POPULATION FUND

Statement of income and expenditure for the year ended 31 December 1989

(United States Dollars)

1988			1989
	INCOME		
	Contributions from Governments		
167 333 800	Pledges for current year	(schedule 1)	180 724 126
37 236	Additions and adjustments to pledges for prior years (net)	(schedule 1)	17 983
(2 310 481)	Exchange adjustments on collection of contributions	(note 1 (c))	(171 455)
165 060 555			180 570 654
862	Donations		2 010
12 934 954	Miscellaneous income (net)	(schedule 2)	4 656 935
177 996 371	TOTAL INCOME	(statement IV)	185 229 599
	EXPENDITURE		
	Programme expenditure		
68 900 477	By United Nations executing agencies	(schedule 3)	88 302 507
14 094 936	By Governments	(schedule 3)	22 375 821
28 563 601	By United Nations Population Fund	(schedule 3)	26 970 731
18 273 484	By intergovernmental institutions and other agencies, including non-governmental organizations	(schedule 3)	19 787 360
129 832 498			157 436 419
	Agency support costs		
8 356 177	By United Nations executing agencies	(schedule 3)	10 860 299
705 269	By Governments	(schedule 3)	1 043 498
1 099 942	By United Nations Population Fund	(schedule 3)	987 848
563 001	By intergovernmental institutions and other agencies, including non-governmental organizations	(schedule 3)	1 148 078
10 724 389			14 039 723
26 655 682	Administrative and programme support services biennial budget expenditure (net)	(schedule 4)	32 092 087
167 212 569	TOTAL EXPENDITURE	(statement IV)	203 568 229
10 783 802	Excess of expenditure over income (1988: excess of income over expenditure)	(statement III)	(18 338 630)

The accompanying notes are an integral part of the financial statements.

STATEMENT II

UNITED NATIONS POPULATION FUND

Statement of assets and liabilities as at 31 December 1989

(United States dollars)

1988			1989
	ASSETS		
	Cash and investments		
1 028 435	Convertible currencies		3 890 367
75 573 407	Investments	(schedule 5)	56 814 528
76 601 842		(statement IV)	60 704 895
	Advances and accounts receivable		
249 228	Non-convertible currencies pending United States dollar credit from UNDP	(note 2)	539 652
5 295 370	Operating funds provided by UNFPA to executing agencies	(note 4)	5 572 002
10 062 916	Operating funds provided by UNFPA to Governments		8 964 538
-	Due from UNDP		-
256 688	Accounts receivable and deferred charges		467 546
808 361	Accrued interest		659 944
16 672 563			16 203 682
604 586	Pledges receivable from Governments for current and prior years	(schedule 1 and note 3)	1 567 295
40 000 000	Investments of the operational reserve	(schedule 5)	45 000 000
133 878 991			123 475 872
	LIABILITIES, RESERVES AND UNEXPENDED RESOURCES		
	Liabilities		
3 648 239	Accounts payable		4 363 056
6 704 381	Operating funds payable by UNFPA to executing agencies	(note 4)	5 502 330
38 120 390	Unliquidated obligations of executing agencies	(note 4)	42 510 615
4 156 186	Due to UNDP		7 153 738
9 403 384	Due to UNFPA trust funds	(schedule 7)	10 438 352
62 032 580			69 968 091
40 000 000	Operational reserve	(note 5)	45 000 000
31 846 411	Unexpended balance of general resources	(statement III)	8 507 781
133 878 991			123 475 872

The accompanying notes are an integral part of the financial statements.

STATEMENT III

UNITED NATIONS POPULATION FUND

Statement of general resources as at 31 December 1989

(United States dollars)

1988			1989
24 062 609	Balance as at 1 January 1989		31 846 411
10 783 802	Add: Excess of expenditure over income (1988: Excess of income over expenditure)	(statement I)	(18 338 630)
34 846 411			13 507 781
3 000 000	Less: Transfer to operational reserve	(note 5)	5 000 000
31 846 411	Balance as at 31 December 1989	(statement II and note 6)	8 507 781

The accompanying notes are an integral part of the financial statements.

STATEMENT IV

UNITED NATIONS POPULATION FUND

Statement of changes in the financial position for the year ended 31 December 1989

(United States dollars)

1988			1989
	SOURCE OF FUNDS		
177 996 371	Total income for the year	(statement I)	185 229 599
2 788 082	Increase in operating funds payable to executing agencies		-
642 880	Decrease in pledges receivable from Governments		-
16 443 594	Increase in other liabilities		6 140 010
2 070 963	Decrease in funds provided to UNDP		-
4 156 186	Increase in funds payable to UNDP		2 997 552
-	Decrease in operating funds provided to Governments for executing UNFPA projects		1 098 378
204 098 076	Total funds provided		195 465 539
	APPLICATION OF FUNDS		
167 212 569	Total expenditure for the year	(statement I)	203 568 229
464 842	Increase in other receivables		352 865
10 062 916	Increase in operating funds provided to Governments for executing UNFPA projects		-
1 226 551	Increase in operating funds provided to executing agencies		276 632
3 000 000	Increase in operational reserve		5 000 000
-	Increase in pledges receivable from Governments		962 709
-	Decrease in operating funds payable to executing agencies		1 202 051
181 966 878	Total funds used		211 362 486
(22 131 198)	DECREASE IN CASH AND INVESTMENTS		15 896 947
54 470 644	Cash and investments at beginning of year a/		76 601 842
22 131 198	Increase in cash and investments		15 896 947
76 601 842	Cash and investments at end of year a/	(statement II)	60 704 895

The accompanying notes are an integral part of the financial statements.

a/ Excluding the investments of the operational reserve.

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 1

UNITED NATIONS POPULATION FUND

Status of voluntary contributions pledged as at 31 December 1989

(United States dollars)

Donor	Balance due as at 1 January 1989 for 1988 and prior years	Additions and adjustments for 1988 and prior years	Pledges for 1989	Pledges for 1990 and future years: Local currency	Pledges for 1990 and future years: United States dollars	Total	Payments received	Unpaid pledges as at 31 December 1989	Composition of balance due: For 1989 and prior years	Composition of balance due: For 1990 and future years
Afghanistan	-	-	2 760	-	2 760	5 520	2 760	2 760	-	2 760
Albania	1 833	(114)	1 875	14 500	2 266	5 860	-	5 860	3 594	2 266
Algeria	30 000	-	10 000	-	-	40 000	40 000	-	-	-
Angola	500	-	-	-	-	500	-	500	500	-
Australia	-	-	580 176	1 250 000	984 252	1 564 428	580 176	984 252	-	984 252
Austria	-	-	150 000	3 105 000	246 429	396 429	150 000	246 429	-	246 429
Bahamas	-	-	2 100	-	-	2 100	2 100	-	-	-
Bangladesh	18 087	-	18 087	-	18 087	54 261	36 174	18 087	-	18 087
Barbados	-	-	3 000	-	-	3 000	-	3 000	3 000	-
Belgium	-	-	664 000	24 000 000	664 000	1 328 000	-	1 328 000	664 000	664 000
Benin	-	-	-	-	2 000	2 000	-	2 000	-	2 000
Bhutan	-	-	2 600	-	2 700	5 300	2 600	2 700	-	2 700
Bolivia	25 600	-	4 000	-	4 000	33 600	-	33 600	29 600	4 000
Botswana	-	-	1 289	-	-	1 289	-	1 289	1 289	-
Brazil	-	-	10 000	-	-	10 000	-	10 000	10 000	-
Bulgaria	20 588	(4 233)	23 364	55 000	25 701	65 420	-	65 420	39 719	25 701
Burkina Faso	8 532	(362)	-	-	-	8 170	-	8 170	8 170	-
Burundi	-	-	-	1 000 000	5 814	5 814	-	5 814	-	5 814
Cameroon	6 826	(300)	3 175	-	-	9 701	3 507	6 194	6 194	-
Canada	-	-	9 812 500	-	-	9 812 500	9 812 500	-	-	-
Central African Republic	-	-	2 761	-	-	2 761	2 761	-	-	-
Chad	-	-	-	-	11 000	11 000	-	11 000	-	11 000
Chile	5 000	-	5 000	-	5 000	15 000	5 000	10 000	5 000	5 000
China	-	-	650 000	-	700 000	1 350 000	650 000	700 000	-	700 000
Colombia	(2 002) a/	-	40 000 a/	-	40 000	77 998	14 749	63 249	23 249	40 000
Comoros	3 413	(145)	-	-	-	3 268	-	3 268	3 268	-
Cook Islands	-	2 143	2 143	-	3 571	7 857	-	7 857	4 286	3 571
Cyprus	-	-	750	-	1 000	1 750	750	1 000	-	1 000
Czechoslovakia	-	-	25 000	250 000	25 000	50 000	-	50 000	25 000	25 000
Democratic People's Republic of Korea	-	-	13 636	30 000	13 636	27 272	13 636	13 636	-	13 636
Democratic Yemen	6 983	(4 200)	2 783	-	-	5 566	2 783	2 783	2 783	-
Denmark	-	-	11 629 493	95 000 000	13 649 425	25 278 918	11 629 493	13 649 425	-	13 649 425
Ecuador	66 000	-	-	-	-	66 000	-	66 000	66 000	-
Egypt	-	-	73 191	197 505	76 850	150 041	-	150 041	73 191	76 850
Equatorial Guinea	-	-	22 222	-	-	22 222	-	22 222	22 222	-
Ethiopia	-	-	-	30 000	14 493	14 493	-	14 493	-	14 493
Federated States of Micronesia	-	-	1 000	-	-	1 000	1 000	-	-	-
Fiji	1 460	(127)	1 378	2 000	1 333	4 044	1 111	2 933	1 600	1 333
Finland	-	-	14 911 243	75 000 000	17 647 059	32 558 302	14 911 243	17 647 059	-	17 647 059

SCHEDULE 1 (continued)

Donor	Balance due as at 1 January 1989 for 1988 and prior years	Additions and adjustments for 1988 and prior years	Pledges for 1989	Pledges for 1990 and future years		Total	Payments received	Unpaid pledges as at 31 December 1989	Composition of balance due	
				Local currency	United States dollars				For 1989 and prior years	For 1990 and future years
France	-	-	692 913	5 000 000	818 331	1 511 244	692 913	818 331	-	818 331
Germany, Federal Republic of	-	-	21 051 128	39 100 000	21 843 575	42 894 703	21 051 128	21 843 575	-	21 843 575
Ghana	-	-	5 000	-	-	5 000	5 000	-	-	-
Greece	-	-	5 000	-	5 000	10 000	5 000	5 000	-	5 000
Guatemala	4 891	(359)	1 000	-	1 000	6 532	-	6 532	5 532	1 000
Guyana	-	-	484	-	-	484	484	-	-	-
Honduras	-	-	10 000	-	-	10 000	10 000	-	-	-
Hungary	-	-	20 998	1 400 000	22 581	43 579	20 192	23 387	806	22 581
Iceland	4 737	463	2 500	-	2 620	10 320	2 600	7 720	5 100	2 620
India	-	-	366 524	6 000 000	358 852	725 376	366 524	358 852	-	358 852
Indonesia	-	-	150 000	-	150 000	300 000	150 000	150 000	-	150 000
Italy	-	-	2 851 887	-	-	2 851 887	2 851 887	-	-	-
Jamaica	19	(19)	1 538	10 000	1 538	3 076	-	3 076	1 538	1 538
Japan	-	-	40 200 000	-	-	40 200 000	40 200 000	-	-	-
Jordan	-	-	22 000	-	22 000	44 000	18 031	25 969	3 969	22 000
Kenya	9 837	(1 464)	2 326	56 000	2 605	13 304	-	13 304	10 699	2 605
Kuwait	25 000	25 000	5 000	-	5 000	60 000	25 000	35 000	30 000	5 000
Lao People's Democratic Republic	1 000	-	500	-	500	2 000	1 500	500	-	500
Lesotho	1 186	(125)	1 061	3 360	1 273	3 395	-	3 395	2 122	1 273
Liberia	55 000	-	-	-	-	55 000	-	55 000	55 000	-
Libyan Arab Jamahiriya	-	-	81 433	-	-	81 433	-	81 433	81 433	-
Luxembourg	18 883	(705)	12 048	500 000	13 333	43 559	12 048	31 511	18 178	13 333
Madagascar	15 794	(40)	3 000	-	3 000	21 754	1 529	20 225	17 225	3 000
Malawi	-	-	583	1 620	596	1 179	583	596	-	596
Malaysia	-	-	15 000	-	-	15 000	15 000	-	-	-
Maldives	-	-	1 200	-	1 200	2 400	1 200	1 200	-	1 200
Mali	500	-	-	-	-	500	-	500	500	-
Mauritius	-	2 943	-	-	-	2 943	-	-	-	-
Mexico	-	446	4 566	-	-	5 012	5 012	-	-	-
Mongolia	-	-	567	2 300	767	1 334	567	767	-	767
Morocco	4 000	-	6 000	-	6 000	16 000	5 131	10 869	4 869	6 000
Myanmar	-	-	7 364	60 000	8 837	16 201	-	16 201	7 364	8 837
Nepal	-	-	3 750	-	-	3 750	-	3 750	3 750	-
Netherlands	-	-	24 454 469	41 180 000	20 386 139	44 840 608	24 454 469	20 386 139	-	20 386 139
New Zealand	-	-	176 940	-	-	176 940	176 940	-	-	-
Niger	1 500	-	-	-	1 000	2 500	-	2 500	1 500	1 000
Nigeria	-	-	27 137	250 000	33 921	61 058	-	61 058	27 137	33 921
Niue	-	-	-	-	500	500	-	500	-	500
Norway	-	-	19 554 526	-	-	19 554 526	19 554 526	-	-	-
Oman	10 000	-	-	-	-	10 000	-	10 000	10 000	-
Pakistan	818	-	500 000	-	500 000	1 000 818	500 000	500 818	818	500 000
Panama	1 000	-	1 500	-	1 500	4 000	-	4 000	2 500	1 500
Papua New Guinea	1 859	(5)	-	-	-	1 854	1 775	79	79	-
Paraguay	-	-	20 000	-	22 000	42 000	-	42 000	20 000	22 000
Peru	25 000	-	-	-	-	25 000	352	24 648	24 648	-
Philippines	(4 785) a/	-	62 539 a/	1 000 000	45 872	103 626	-	103 626	57 754	45 872
Poland	-	-	2 913	6 000 000	1 622	4 535	2 913	1 622	-	1 622
Portugal	43 000	-	23 000	-	-	66 000	46 000	20 000	20 000	-

SCHEDULE 1 (concluded)

Donor	Balance due as at 1 January 1989 for 1988 and prior years	Additions and adjustments for 1988 and prior years	Pledges for 1989	Pledges for 1990 and future years: Local currency	Pledges for 1990 and future years: United States dollars	Total	Payments received	Unpaid pledges as at 31 December 1989	Composition of balance due: For 1989 and prior years	Composition of balance due: For 1990 and future years
Republic of Korea	-	-	50 000	-	50 000	100 000	50 000	50 000	-	50 000
Romania	-	-	4 051	60 000	3 924	7 975	4 051	3 924	-	3 924
Rwanda	-	-	1 150	-	1 150	2 300	-	2 300	1 150	1 150
Saint Kitts and Nevis	1 006	(6)	-	-	-	1 000	883	117	117	-
Saint Lucia	-	-	600	-	-	600	600	-	-	-
Saudi Arabia	-	-	30 000	-	30 000	60 000	-	60 000	30 000	30 000
Senegal	129 253	-	-	-	-	129 253	78 616	50 637	50 637	-
Sierra Leone	64	(26)	-	-	-	38	-	38	38	-
Solomon Islands	1 000	-	-	-	-	1 000	-	1 000	1 000	-
Somalia	694	(392)	118	-	-	420	173	247	247	-
Spain	-	-	234 966	35 000 000	304 348	539 314	234 966	304 348	-	304 348
Sri Lanka	-	-	10 000	-	10 000	20 000	10 000	10 000	-	10 000
Sudan	10 834	-	25 568	-	-	36 402	-	36 402	36 402	-
Swaziland	-	-	758	2 000	758	1 516	-	1 516	758	758
Sweden	-	-	17 587 429	115 000 000	17 968 750	35 556 179	17 587 429	17 968 750	-	17 968 750
Switzerland	-	-	4 371 257	7 800 000	4 844 721	9 215 978	4 371 257	4 844 721	-	4 844 721
Syrian Arab Republic	-	1 926	1 926	-	-	3 852	3 852	-	-	-
Thailand	-	-	50 000	-	50 000	100 000	99 228 b/	772	-	772
Togo	10 239	(1 148)	-	3 000 000	9 804	18 895	9 091	9 804	-	9 804
Trust Territory of the Pacific	(1 000) a/	(1 000)	-	-	-	(2 000)	(2 000)	-	-	-
Trust Territory Republic of Palau	-	-	-	-	500	500	-	500	-	500
Tunisia	-	-	18 963	-	18 062	37 025	26 060 b/	10 965	-	10 965
Turkey	-	-	10 000	-	15 000	25 000	-	25 000	10 000	15 000
Uganda	1 863	-	-	-	-	1 863	1 863	-	-	-
Union of Soviet Socialist Republics	-	-	526 446	355 000	560 821	1 087 267	526 446	560 821	-	560 821
United Kingdom of Great Britain and Northern Ireland	-	-	8 745 829	6 000 000	9 375 000	18 120 829	8 745 829	9 375 000	-	9 375 000
United Republic of Tanzania	4 167	(135)	-	1 000 000	5 291	9 323	4 032	5 291	-	5 291
Uruguay	-	-	7 200	-	8 640	15 840	7 200	8 640	-	8 640
Vanuatu	-	-	5 000	-	-	5 000	-	5 000	5 000	-
Viet Nam	-	-	1 500	-	2 000	3 500	-	3 500	1 500	2 000
Yemen Arab Republic	2 850	-	3 078	-	3 078	9 006	-	9 006	5 928	3 078
Yugoslavia	-	-	15 000	-	-	15 000	-	15 000	15 000	-
Zaire	22 500	-	1 000	-	2 000	25 500	21 500	4 000	2 000	2 000
Zambia	-	-	2 035	32 000	1 658	3 693	2 035	1 658	-	1 658
Zimbabwe	1 270	(33)	2 332	6 300	2 825	6 394	1 237	5 157	2 332	2 825
TOTAL	596 799	17 983	180 724 126	-	111 675 868	293 014 776	179 827 938	113 186 838	1 567 295	111 619 543
		(statement I)							(statement I and note 3)	

(Footnotes on following page)

(Footnotes to schedule 1)

a/ Includes 1988 pledges received in 1989.

b/ Includes the following amounts received in 1989 for 1990 pledges:

	Local currency	United States dollar equivalent
Thailand	1 275 000	49 228
Tunisia	-	7 097
		56 325

SCHEDULE 2

UNITED NATIONS POPULATION FUND

Miscellaneous income and expenditure for the year ended 31 December 1989

General resources

(United States dollars)

1988			1989
5 258 100	Interest income from investments		7 335 518
575 145	Miscellaneous income from accounts of executing agencies - net		149 907
6 343 331	Net adjustments on revaluation of currencies and gains/losses on exchange other than contributions	(note 1 (c))	(3 178 230)
540 433	Savings in liquidating obligations of prior biennium		-
217 945	Other income - net		349 740
12 934 954	Total miscellaneous income - net	(statement I)	4 656 935

SCHEDULE 3

UNITED NATIONS POPULATION FUND

1989 expenditure by United Nations agencies, Governments and non-governmental organizations

(United States dollars)

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total programme expenditure	Agency support costs	Total
United Nations (Department of International Economic and Social Affairs)	788 646	61 079	21 317	7 333	12 562	890 937	115 330	1 006 267
United Nations (Department of Technical Co-operation for Development)	8 365 112	518 963	5 490 683	11 261 186	1 269 599	26 905 543	3 500 475	30 406 018
ECE	248 869	-	13 149	15 271	13 101	290 390	37 751	328 141
ESCAP	1 216 935	444 592	424 090	78 579	108 231	2 272 427	295 416	2 567 843
ECLAC	1 649 239	14 909	205 111	94 916	94 020	2 058 195	267 565	2 325 760
ECA	2 673 220	26 911	640 735	102 475	125 999	3 569 340	451 625	4 020 965
ESCWA	732 108	-	159 800	21 201	10 266	923 375	120 039	1 043 414
ILO	6 058 135	402 377	2 099 664	1 232 054	641 061	10 433 291	1 356 328	11 789 619
FAO	2 131 085	350 209	391 983	647 163	145 534	3 665 974	427 262	4 093 236
UNEP	85 091	-	-	-	-	85 091	-	85 091
UNESCO	4 728 435	526 090	2 396 628	1 432 892	782 526	9 866 571	1 213 709	11 080 280
WHO	6 599 093	5 069 272	5 582 270	8 067 770	916 588	26 234 993	2 955 550	29 190 543
UNICEF	1 927	-	14 609	(27 462)	10 509	(417)	-	(417)
UNIDO	-	-	1 715	-	-	1 715	223	1 938
UNDP-Office for Projects Services	305 375	72 061	541 629	120 885	65 132	1 105 082	119 026	1 224 108
United Nations executing agencies total	35 583 270	7 486 463	17 983 383	23 054 263	4 195 128	88 302 507	10 860 299	99 162 806
Governments	4 559 703	4 632 365	6 331 468	5 440 800	1 411 485	22 375 821	1 043 498	23 419 319
UNFPA	3 931 152	1 327 752	1 701 054	18 775 243	1 235 530	26 970 731 a/	987 848	27 958 579
Intergovernmental institutions and other agencies, including non-governmental organizations	5 224 321	3 032 607	5 547 454	3 896 898	2 086 080	19 787 360	1 148 078	20 935 438
Total	49 298 446	16 479 187	31 563 359	51 167 204	8 928 223	157 436 419 (schedule 8 and statement I)	14 039 723 (statement I)	171 476 142

a/ Includes UNFPA procurement assistance in respect of government projects amounting to $19.7 million.

SCHEDULE 4

UNITED NATIONS POPULATION FUND

Administrative and programme support services budget appropriations and expenditure for the biennium 1988-1989

(United States dollars)

Programme	Appropriations for 1988-1989 a/	Expenditure in 1988-1989: Disbursements 1988-1989	Expenditure in 1988-1989: Unliquidated obligations as at 31 December 1989	Expenditure in 1988-1989: Total expenditure 1988-1989	Unencumbered balance as at 31 December 1989
I. Executive direction and management	7 581 700	6 857 283	236 429	7 093 712	487 988
II. Administrative and information support services	15 426 900	15 396 522	2 091 020	17 487 542	(2 060 642) b/
III. Programme planning, appraisal and monitoring	18 347 700	16 794 943	274 855	17 069 798	1 277 902
IV. Field programme support	21 877 100	20 904 962	449 684	21 354 646	522 454
Gross appropriations and expenditure	63 233 400	59 953 710	3 051 988	63 005 698 c/	227 702
Less: Credits and income	4 200 000 d/			4 257 929	(57 929)
Net appropriations and expenditure	59 033 400			58 747 769 e/	285 631

a/ Revised appropriations as approved by the Governing Council at the thirty-fifth session (decision 88/36).

b/ As authorized by the Governing Council at the thirty-fifth session (decision 86/36), the Executive Director has requested the concurrence of the Advisory Committee on Administrative and Budgetary Questions to transfer from the credit available under programmes I, III and IV an amount of $2,060,642 to cover the over-expenditure under programme II.

c/ Includes all administrative and programme support services expenditure of all UNFPA field offices; they were integrated in full into the administrative and programme support services budget for the first time effective 1 January 1988.

d/ Overhead credit available to the administrative and programme support services budget in the estimated amount of $3,800,000 from support services to government-executed projects and procurement activities and $400,000 from support services for UNFPA and government-executed projects financed by trust funds.

e/ Consisting of: $26 655 682 - charged against 1988 resources
32 092 087 - charged against 1989 resources (statement I)
$58 747 769

SCHEDULE 5

UNITED NATIONS POPULATION FUND

Investments as at 31 December 1989

(United States dollars)

Type	Currency	Amount
Current accounts	Deutsche mark	27 171
	Italian lire	1 936
	Japanese yen	20 472
	Netherlands guilders	329
	Swedish kronor	15 571
		65 479
Interest-bearing accounts	United States dollars	1 998 000
Time deposit accounts	Japanese yen	40 351 049
	United States dollars	59 400 000
		99 751 049
	Total	101 814 528
Comprising:	Unexpended resources (statement II)	56 814 528
	Operational reserve (statement II)	45 000 000
		101 814 528

SCHEDULE 6

UNITED NATIONS POPULATION FUND

Status of contributions from Governments for special population programmes as at 31 December 1989

(United States dollars)

	International Planned Parenthood Federation	Population Council	International Union for the Scientific Study of Population	International Committee on the Management of Population Programmes	Total
Contributions received from Governments and disbursed in 1989					
Japan	14 730 000	-	-	-	14 730 000
Netherlands	2 124 209	120 192	72 115	-	2 316 516
Norway	-	89 820	89 820	59 880	239 520
Total	16 854 209	210 012	161 935	59 880	17 286 036

SCHEDULE 7

UNITED NATIONS POPULATION FUND

TRUST FUNDS

Statement of account for the year ended 31 December 1989

(United States dollars)

Trust funds	Unexpended balance as at 1 January 1989	Contributions received in 1989	Interest income	Total funds available	Programme expenditure	Support costs: Executing agencies	Support costs: UNFPA	Total expenditure	Unexpended balance as at 31 December 1989
UNFPA multilateral/bilateral and other trust funds									
Arab Gulf Fund	(16 395)	-	-	(16 395)	5 751	748	-	6 499	(22 894) a/
Australia	226 508	205 040	10 993	442 541	265 000	-	13 250	278 250	164 291
Bahrain	2 115	(1 936)	49	228	-	-	-	-	228
Belgium	185 621	277 982	5 630	469 233	613 545	-	(11 492)	602 053	(132 820) b/
Canada	841 529	896 789	44 281	1 782 599	1 384 293	148 903	11 782	1 544 978	237 621
Colombia	37 015	-	2 374	39 389	2 783	-	-	2 783	36 606
European Economic Community	36 961	-	1 311	38 272	13 340	-	-	13 340	24 932
Finland	442 630	-	47 176	489 806	(17 644)	-	(882)	(18 526)	508 332
Italy	1 218 327	-	109 443	1 327 770	300 370	48	15 000	315 418	1 012 352
Luxembourg	920 920	-	14 860	935 780	420 000	-	21 000	441 000	494 780
Management Development Unit	318 944	179 527	7 396	505 867	557 372	-	27 869	585 241	(79 374) c/
Microcomputer Database on Women, Population and Development	6 434	-	625	7 059	4 264	555	-	4 819	2 240
Netherlands	945 759	1 205 978	86 504	2 238 241	964 699	55 541	26 873	1 047 113	1 191 128
Norway	2 334 184	2 882 377	232 663	5 449 224	602 916	23 252	14 007	640 175	4 809 049

SCHEDULE 7 (concluded)

Trust funds	Unexpended balance as at 1 January 1989	Contributions received in 1989	Interest income	Total funds available	Programme expenditure	Support costs: Executing agencies	Support costs: UNFPA	Total expenditure	Unexpended balance as at 31 December 1989
Organization of Petroleum-Exporting Countries	230 868	-	12 887	243 755	(361)	-	(18)	(379)	244 134
Sweden	(373 644)	617 046	5 613	249 015	77 780	10 112	-	87 892	161 123
Syrian Arab Republic	19 347	141 072	3 003	163 422	87 342	-	4 367	91 709	71 713
United Kingdom of Great Britain and Northern Ireland	1 283 438	-	46 343	1 329 781	488 918	-	24 446	513 364	816 417
United Nations d/	68	-	3	71	-	-	-	-	71
	8 660 629	6 403 875	631 154	15 695 658	5 770 368	239 159	146 202	6 155 729	9 539 929
Other trust funds									
Rafael M. Salas Endowment Fund	140 680	150 375 e/	8 603	299 658	20 751	-	-	20 751	278 907
United Nations Population Award	602 075	12 500	53 669	668 244	48 728	-	-	48 728	619 516
Total	9 403 384	6 566 750 f/	693 426	16 663 560	5 839 847	239 159	146 202	6 225 208	10 438 352 (statement II)

a/ Contributions of $100,000 received in January 1990.

b/ Contributions of $277,982 received in January 1990.

c/ This project, which is financed by the Governments of Great Britain, Norway and the Netherlands, is to strengthen maternal child health and family planning programme management in Bangladesh.

d/ Balance of the United Nations Trust Fund for Special Economic Assistance Programme for Liberia transferred to UNFPA to cover monitoring and reporting costs of project LIR/85/P02.

Contributions received in 1989:

Contributions (schedule 9)	6 416 375
e/ Private donations	150 375
f/ Total	6 566 750

SCHEDULE 8

UNITED NATIONS POPULATION FUND

Unspent allocations as at 31 December 1989

(United States dollars)

	Revised 1989 allocations	1989 Expenditure	1989 unspent allocations	Future years' allocations	Total unspent allocations
United Nations (Department of International Economic and Social Affairs)	1 033 251	890 937	142 314	2 834 796	2 977 110
United Nations (Department of Technical Co-operation for Development)	30 468 545	26 905 543	3 563 002	37 988 992	41 551 994
ECE	303 592	290 390	13 202	843 401	856 603
ESCAP	2 341 028	2 272 427	68 601	3 680 762	3 749 363
ECLAC	2 074 050	2 058 195	15 855	4 822 573	4 838 428
ECA	4 022 351	3 569 340	453 011	4 523 153	4 976 164
ESCWA	969 660	923 375	46 285	-	46 285
ILO	11 987 342	10 433 291	1 554 051	20 485 025	22 039 076
FAO	4 103 679	3 665 974	437 705	9 209 676	9 647 381
UNEP	93 145	85 091	8 054	172 435	180 489
UNESCO	12 143 100	9 866 571	2 276 529	20 461 971	22 738 500
WHO	28 363 743	26 234 993	2 128 750	30 730 543	32 859 293
UNICEF	(10 262)	(417)	(9 845)	130 072	120 227
UNIDO	1 715	1 715	-	-	-
UNDP, Office for Project Services	1 657 800	1 105 082	552 718	1 604 393	2 157 111
United Nations executing agencies total	**99 552 739**	**88 302 507**	**11 250 232**	**137 487 792**	**148 738 024**

SCHEDULE 8 (concluded)

	Revised 1989 allocations	1989 Expenditure	1988 unspent allocations	Future years' allocations	Total unspent allocations
Governments	34 269 179	22 375 821	11 893 358	42 248 467	54 141 825
UNFPA	40 519 935	26 970 731 a/	13 549 204	31 837 982	45 387 186
Intergovernmental institutions and other agencies, including non-governmental organizations	19 901 845	19 787 360	114 485	27 112 629	27 227 114
TOTAL	194 243 698	157 436 419	36 807 279	238 686 870	275 494 149
		(schedule 3)	(note 6)	(note 6)	

a/ Includes UNFPA procurement assistance in respect of government projects amounting to $19.7 million.

SCHEDULE 9

UNITED NATIONS POPULATION FUND

TRUST FUNDS

Status of contributions pledged as at 31 December 1989

(United States dollars)

Government/organization	Balance due as at 31 December 1989	Additions and adjustments	Total	Payments received in 1989	Unpaid pledges as at 31 December 1989	Composition of balance due: For 1989 and prior years	Composition of balance due: For 1990 and future years
UNFPA multi-bilateral and bilateral and other programmes							
Australia	-	205 040	205 040	205 040	-	-	-
Bahrain	-	(1 936)	(1 936)	(1 936)	-	-	-
Belgium	-	277 982	277 982	277 982	-	-	-
Canada	22 470	897 370	919 840	896 789	23 051	23 051	-
Netherlands	-	805 978	805 978	805 978	-	-	-
Non-governmental organizations	-	12 500	12 500	12 500	-	-	-
Norway	-	3 025 907	3 025 907	3 025 907	-	-	-
Sweden	900 000	(56 250)	843 750	617 046	226 704	-	226 704
Syrian Arab Republic	-	141 072	141 072	141 072	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	435 997	435 997	435 997	-	-	-
Total	922 470	5 743 660	6 666 130	6 416 375	249 755	23 051	226 704

(schedule 7)

ANNEX

Notes to the financial statements

Note 1. Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Income

In accordance with UNFPA financial rule 116.1 (a), income (including pledges from Governments, investment income and miscellaneous income, but excluding contributions to trust funds) is recorded on an accrual basis. Details of contributions pledged for future years are shown in schedule 1.

(b) Expenditure

Expenditure relating to staff entitlements and projects executed by non-governmental organizations is accounted for on the basis of cash disbursements. That relating to projects executed by Governments is accounted for on the basis of expenditure reports furnished by the Government. In accordance with UNFPA financial rule 116.1 (a), all other expenditure is accounted for on an accrual basis. Project expenditure, other than that relating to projects executed by non-governmental organizations, includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets for 1989 and contracted for by the end of that year.

(c) Exchange rates

UNFPA financial rule 104.1 provides that pledges shall be converted at the United Nations operational rate of exchange in effect on the date of the pledge. UNFPA financial rule 104.2 provides that payments of voluntary contributions shall be recorded as income expressed in United States dollars at the United Nations operational rate of exchange in effect on the date of payment.

Net exchange rate losses of $171,455 arising on collection of contributions pledged in a particular currency but paid in a different currency are shown in statement I. All other exchange adjustments have been recorded as miscellaneous income in accordance with UNFPA financial rule 104.3 and, in 1989, amounted to a net loss of $3,178,230, as shown in schedule 2.

In accordance with UNFPA financial rule 116.1 (d), the assets and liabilities held in currencies other than United States dollars have been revalued at the United Nations operational rate of exchange in effect at 31 December 1989.

(d) Capital expenditure

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at $400 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

Note 2. Non-convertible currencies pending United States dollar credit from UNDP

The amount of $539,652 represents non-convertible currencies, held by UNDP on behalf of UNFPA, converted into United States dollars at the United Nations operational rate of exchange in effect on the date of receipt.

Note 3. Contributions pledged by Governments

Contributions pledged by Governments for current and prior years that had not been paid by 31 December 1989 were as follows:

		United States dollars
1985 and prior years		116 536
1986		76 911
1987		117 958
1988		78 036
1989		1 177 854
Total	(statement II)	1 567 295

Note 4. Operating funds provided or payable to, and unliquidated obligations of, executing agencies

As at 31 December 1989, net operating funds of $69,672 were provided to executing agencies. This balance consisted of an amount of $5,572,002 provided by UNFPA to agencies and an amount of $5,502,330 payable by UNFPA to other agencies. These balances, after taking into account unliquidated obligations, are consistent with the operating fund balances reported by the executing agencies.

The unliquidated obligations of $42,510,615, shown separately in statement II, consist of $41,412,480 in respect of United Nations executing agencies, $1,039,109 in respect of Governments as executing agencies and $59,026 in respect of non-governmental organizations.

Note 5. Operational reserve

In accordance with Governing Council decision 89/49, paragraph 16, an amount of $5 million was transferred during the year from general resources to the operational reserve, to bring the operational reserve to a level of $45 million.

Note 6. Unspent allocations

The balance of general resources shown in statement III excludes 1989 unspent allocations of $36,807,279 and allocations for future years, amounting to $238,686,870, issued to executing agencies and non-governmental organizations, as shown in schedule 8.

Note 7. Investments in currencies other than United States dollars

The investments reported in the balance sheet and schedule 5 include the United States dollar equivalent of investments in other currencies using the United Nations operational rate of exchange in effect for the month of December 1989. At the United Nations operational rate of exchange in effect from 1 January 1990, which more closely reflects the market rate of exchange as at 31 December 1989, the value of these investments would amount to $575,245 more than that shown in the accounts (whereas in 1988, it was $713,290 less than that shown in the accounts).

Note 8. Termination benefits

Termination benefits that UNFPA may be required to pay to its staff members in future years are estimated at 31 December 1989 to be $2,161,593 with respect to repatriation grants, and $303,730 with respect to termination indemnities.

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